

Yes

ESI G&PM Paragraph 6.1.10, Software Product Manager (SPM) Procedures. This responsibility applies in cases of up front use of the working capital fund by the SPM. The SPM will control distribution of software licenses in such cases where up-front money has been used and one or more particular customers have created a repayment schedule. The SPM will act in this case as a "Virtual Item Manager" and disperse the software in accordance with the payback plan. This activity will insure that the number of licenses match the funds available within the correct fiscal year. Attached is the suggested implementation of the ESI virtual item manager policy and guidance for contracting officers.

Point of contact for this plan is Mr Robert Schwenk, DSN 227-6001, [robert.schwenk@hqda.army.mil](mailto:robert.schwenk@hqda.army.mil).

SUBJECT: Implementation Plan for Software Product Managers for the Department of Defense Execution of Enterprise Software Agreements

Procedures Addendum:

### **Software Product Manager**

The Software Product Manager is responsible for ensuring that requirements forwarded to a contracting office comply with inventory restrictions. Inventories funded from stock funds generally may not exceed 2 years' worth of operating stock.<sup>1</sup> Inventories funded from stock funds may cover up to 3 years' worth of operating stock if the head of the procuring activity determines, in writing, that (1) the acquisition is necessary to achieve an economical order quantity and will not result in an on-hand inventory in excess of 3 years of operating stocks and (2) that the need for the item is unlikely to decline during the period for which the acquisition is made.<sup>2</sup>

The Software Product Manager will issue software licenses to customers only upon receipt of properly-funded obligational documents. No "loan-type" arrangements are authorized. To ensure the fiscal integrity of the ESI program, the Software Product Manager is responsible for reminding customers that the use of the working capital fund does not relieve them of their responsibility to comply with applicable laws governing their appropriations. Customers may not do indirectly what they could not do directly.

To ensure the fiscal integrity of the ESI program, the Software Product Manager will serve as the "Virtual Item Manager" for software procured under ESI authority. All software that has not yet been paid for by a customer must be delivered to and controlled by the Software Program Manager. Software will then

---

<sup>1</sup> 10 USC sec. 2213(a)

<sup>2</sup> 10 USC sec. 2213(b)

be distributed to customers only upon receipt of properly-funded obligational documents.

### **Fund Certifying Officers and Contracting Authorities**

Fund Certifying Officers and Contracting Officers are responsible for ensuring that a proper, written determination by the head of the procuring activity is executed and included in the contract file in the event that the procurement will result in an on-hand inventory level in excess of 2 years. As discussed above, statutory restrictions prohibit obligations against a stock fund for acquisition of any supply item if that acquisition is likely to result in an on-hand inventory of that item in excess of 2 years of operating stocks. An exception exists that will permit on-hand inventories for up to a 3 year period if the head of the procuring activity authorizes the acquisition and determines, in writing, that the acquisition is necessary to achieve an economical order quantity and will not result in an on-hand inventory in excess of 3 years of operating stocks and that the need for the item is unlikely to decline during the period for which the acquisition is made.

To ensure the fiscal integrity of the program, Contracting Officers are responsible for ensuring that delivery is made directly to customers only if the software and/or services have been paid in-full by the customer. Coordination with the Software Product Manager may be required to make the requisite determination. DOD customers that are using a multi-year payback schedule may only obtain and use the amount of software relative and proportional to the amount they reimburse the Working Capital Fund.